RECORD AND BRIEFS

No. 16-341

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IN THE

Supreme Court of the United States

TC HEARTLAND, LLC D/B/A HEARTLAND FOOD PRODUCTS GROUP,

Petitioner,

v.

KRAFT FOODS GROUP BRANDS LLC,

Respondent.

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

BRIEF FOR PETITIONER

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QUESTION PRESENTED

The patent venue statute, 28 U.S.C. § 1400(b), provides that patent infringement actions "may be brought in the judicial district where the defendant resides . . . ." The statute governing "[v]enue generally," 28 U.S.C. § 1391, has long contained a subsection (c) that, where applicable, deems a corporate entity to reside in multiple judicial districts.

In *Fourco Glass Co. v. Transmirra Products Corp.*, 353 U.S. 222 (1957), this Court held that § 1400(b) is not to be supplemented by § 1391(c), and that as applied to corporate entities, the phrase "where the defendant resides" in § 1400(b) "mean[s] the state of incorporation only." *Id.* at 226. The Court's opinion concluded: "We hold that 28 U.S.C. § 1400(b) is the sole and exclusive provision controlling venue in patent infringement actions, and that it is not to be supplemented by the provisions of 28 U.S.C. § 1391(c)." *Id.* at 229.

Federal Circuit precedent holds to the contrary. Although Congress has not amended § 1400(b) since *Fourco*, the Federal Circuit has justified its departure from *Fourco*'s interpretation of § 1400(b) based on amendments to § 1391(c). As stated in the decision below, Federal Circuit precedent holds that "the definition of corporate residence in the general venue statute, § 1391(c), applic[s] to the patent venue statute, 28 U.S.C. § 1400" (Pet. App. 4a) and that "*Fourco* was not and is not the prevailing law" (Pet. App. 8a) on where venue is proper in patent infringement actions under § 1400(b).

The question presented in this case is thus precisely the same as the issue decided in *Fourco*:

Whether 28 U.S.C. § 1400(b) is the sole and exclusive provision governing venue in patent infringement actions and is not to be supplemented by 28 U.S.C. § 1391(c).

RULE 29.6 STATEMENT

Petitioner states that its parent company is Heartland Consumer Products Holdings LLC and no publicly held company owns 10% or more of Petitioner's stock.

TABLE OF CONTENTS

Page

QUESTION PRESENTED i

RULE 29.6 STATEMENT ii

OPINIONS BELOW 1

JURISDICTION 1

STATUTORY PROVISIONS INVOLVED 1

STATEMENT OF THE CASE 1

A. The Enactment of the Patent Venue Statute and Its Predecessors 2

B. The Circuit Split on Patent Venue and This Court's Resolution in *Fourco*. 7

C. Amendments to 28 U.S.C. § 1391 and the Federal Circuit's Reinterpretation of 28 U.S.C. § 1400(b). 11

D. Effects of the Federal Circuit's New Reinterpretation of the Patent Venue Statute. 14

E. The Proceedings in this Case. 16

SUMMARY OF THE ARGUMENT 19

ARGUMENT 21

I. THE FEDERAL CIRCUIT IMPROPERLY REJECTED THIS COURT'S SETTLED INTERPRETATION OF 28 U.S.C. § 1400(b). 21

A. The Enactment and the Original Meaning of the Patent Venue Statute. 21

B. This Court's Interpretation of the Patent Venue Statute and the Federal Circuit's Revisionist Reinterpretation. 24

C. The Federal Circuit's Reinterpretation of § 1400(b) Violates Multiple Canons of Statutory Construction. 26

D. The Federal Circuit's Reinterpretation of § 1400(b) Undermines the Statutory Structure. 31

E. The Federal Circuit's Reinterpretation of § 1400(b) Has Brought Back the Very "Abuses" That Congress Sought to Avoid. 37

II. UNDER THE CURRENT VERSION OF § 1391, FOURCO IS CLEARLY CORRECT. 39

CONCLUSION **42**

TABLE OF AUTHORITIES

Cases ..... **Page(s)**

Andrews v. Hovey,
124 U.S. 694 (1888) 21, 41

Atl. Marine Constr. Co. v. U.S. Dist. Court for W. Dist. of Tex.,
134 S. Ct. 568 (2013) 18, 30

Beverly Hills Fan Co. v. Royal Sovereign Corp.,
21 F.3d 1558 (Fed. Cir. 1994) 32, 35

Bilski v. Kappos,
561 U.S. 593 (2010) 41

Bristol-Myers Squibb Co. v. Superior Court of California, No. 16-466 35

Brunette Mach. Works, Ltd. v. Kockum Indus., Inc., 406 U.S. 706 (1972) 10, 29, 36, 39

Carbice Corp. of Am. v. Am. Patents Dev. Corp., 283 U.S. 27 (1931) 33

Commil USA, LLC v. Cisco Sys., Inc.,
135 S. Ct. 1920 (2015) 34

In re Cordis Corp.,
769 F.2d 733 (Fed. Cir. 1985) 10

Cortez Byrd Chips, Inc. v. Bill Harbert Constr. Co.,
529 U.S. 193 (2000) 30, 33, 39

TABLE OF AUTHORITIES CONT'D

Cases ..... **Page(s)**

Fourco Glass Co. v. Transmirra Products Corp., 353 U.S. 222 (1957) ..... *passim*

Gen. Elec. Co. v. Marvel Rare Metals Co., 287 U.S. 430 (1932) 2, 36

Ginsberg & Sons v. Popkin, 285 U.S. 204 (1932) 9

Goodyear Dunlop Tires Operations S.A. v. Brown, 564 U.S. 915 (2011) 35

Hazelquist v. Guchi Moochie Tackle Co., 437 F.3d 1178 (Fed. Cir. 2006) 22

Hoffman v. Blaski, 363 U.S. 335 (1960) 10

In re Keasbey & Mattison Co., 160 U.S. 221 (1895) 2

KSR Int'l Co. v. Teleflex Inc., 550 U.S. 398 (2007) 41

Limelight Networks, Inc. v. Akamai Techs., Inc., 134 S. Ct. 2111 (2014) 41

MacEvoy Co. v. United States, 322 U.S. 102 (1944) 10

TABLE OF AUTHORITIES CONT'D

Cases ..... **Page(s)**

Midlantic Nat'l Bank v. N.J. Dep't of Envtl. Prot.,
474 U.S. 494 (1986) 28

Morton v. Mancari,
417 U.S. 535 (1974) 26

N. Am. Philips Corp. v. Am. Vending Sales, Inc.,
35 F.3d 1576 (Fed. Cir. 1994) 34

Petrella v. Metro-Goldwyn-Mayer, Inc.,
134 S. Ct. 1962 (2014) 22

Pure Oil Co. v. Suarez,
384 U.S. 202 (1966) ..... *passim*

Radzanower v. Touche Ross & Co.,
426 U.S. 148 (1976) 26, 27, 28, 39

Roberts v. Sea-Land Servs., Inc.,
132 S. Ct. 1350 (2012) 33

Schnell v. Peter Eckrich & Sons, Inc.,
365 U.S. 260 (1961) ..... *passim*

Shaw v. Quincy Mining Co.,
145 U.S. 444 (1892) 4, 10, 23

Stonite Prods. Co. v. Melvin Lloyd Co.,
315 U.S. 561 (1942) ..... *passim*

TABLE OF AUTHORITIES CONT'D

Cases ..... **Page(s)**

Transmirra Prods. Corp. v. Fourco Glass Co.,
233 F.2d 885 (2d Cir. 1956), *rev'd*,
353 U.S. 222 (1957) 8, 24

TRW Inc. v. Andrews,
534 U.S. 19 (2001) 33

United States v. Freeman,
44 U.S. 556 (1845) 32

VE Holding Corp. v. Johnson Gas Appliance Co.,
917 F.2d 1574 (Fed. Cir. 1990) ..... *passim*

Walden v. Fiore,
134 S. Ct. 1115 (2014) 35

Whitman v. Am. Trucking Ass'ns,
531 U.S. 457 (2001) 31

Statutes and Rules

Delaware Code § 3104(c) 34

28 U.S.C. § 109 (1940) 5, 9

28 U.S.C. § 1254(1) 1

28 U.S.C. § 1338(a) 1

28 U.S.C. § 1391 ..... *passim*

TABLE OF AUTHORITIES CONT'D

Statutes and Rules ..... **Page(s)**

28 U.S.C. § 1400 ..... *passim*

28 U.S.C. § 1406 18

28 U.S.C. § 1651 18

28 U.S.C. § 1694 ..... *passim*

35 U.S.C. § 103(a) 18

35 U.S.C. § 321 30

Act of March 3, 1897, ch. 395, 29 Stat. 695 3

Federal Courts Jurisdiction and Clarification Act of 2011, Pub. L. No. 112-63, § 202, 125 Stat. 758 13

Federal Rule of Civil Procedure 4(k)(1)(A) 34

Jones Act, 46 U.S.C. § 688 12

Judicial Code of 1911, ch. 231, § 48, 36 Stat. 1087 5

Judicial Improvements and Access to Justice Act, Pub. L. No. 100-702, § 1013, 102 Stat. 4642 (1988) 11

TABLE OF AUTHORITIES CONT'D

Statutes and Rules ..... **Page(s)**

Leahy-Smith America Invents Act, Pub. L. No. 112, § 18(c), 125 Stat. 284 (2011) 30

Securities Exchange Act of 1934, 42 Stat. 902, 15 U.S.C. § 78aa 27

Legislative and Administrative Proceedings

29 CONG. REC. 1900 (1897) 5

H.R. REP. NO. 100-889 (1988) 11, 31, 39

H.R. REP. NO. 112-10 (2011) 39

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TABLE OF AUTHORITIES CONT'D

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OPINIONS BELOW

The opinion of the Court of Appeals is reported at 821 F.3d 1338 and is reproduced in Petition Appendix A. The opinions of the District Court are unreported and are reproduced in Petition Appendix B.

JURISDICTION

The final decision of the Court of Appeals was entered on April 29, 2016. No petition for rehearing was filed. On July 13, 2016, this Court extended Petitioner's time to file a petition for a writ of certiorari to and including September 12, 2016. On September 12, 2016, Petitioner timely filed a Petition for a Writ of Certiorari, which this Court granted on December 14, 2016. This Court's jurisdiction is invoked under 28 U.S.C. § 1254(1).

This civil action is one arising under federal patent law, over which the district court had subject matter jurisdiction under 28 U.S.C. § 1338(a). The Federal Circuit had appellate jurisdiction under the All Writs Act, 28 U.S.C. § 1651(a).

STATUTORY PROVISIONS INVOLVED

28 U.S.C. § 1400(b) provides:

> Any civil action for patent infringement may be brought in the judicial district where the defendant resides, or where the defendant has committed acts of infringement and has a regular and established place of business.

The full text of 28 U.S.C. § 1694 (concerning service of process in patent infringement actions) and portions of the text of 28 U.S.C. § 1391 ("Venue generally") are reproduced in Petition Appendix C.

STATEMENT OF THE CASE

The patent venue statute, 28 U.S.C. § 1400(b), is part of a statutory scheme that "was designed 'to define the exact jurisdiction of the . . . courts in these matters,' . . . and not to 'dovetail with the general [venue] provisions.'" *Schnell v. Peter Eckrich &*

Sons, Inc., 365 U.S. 260, 262 (1961) (quoting *Stonite Prods. Co. v. Melvin Lloyd Co.*, 315 U.S. 561, 565 & n.5, 566 (1942)). The patent venue statute was enacted together with a provision for "service of process, summons or subpoena," which enables a patentee to establish personal jurisdiction over, and obtain complete relief against, a defendant "[i]n a patent infringement action commenced in a district where the defendant is not a resident but has a regular and established place of business." 28 U.S.C. § 1694.

In *Fourco Glass Co. v. Transmirra Products Corp.*, 353 U.S. 222 (1957), this Court held that, as applied to corporate entities, the phrase "where the defendant resides" in § 1400(b) "mean[s] the state of incorporation only," *id.* at 226, and that the patent venue statute "is not to be supplemented by the provisions of 28 U.S.C. § 1391(c)." *Id.* at 229. At issue in this case is the propriety of the Federal Circuit's rejection of this Court's longstanding construction of § 1400(b).

A. The Enactment of the Patent Venue Statute and Its Predecessors

Congress has enacted versions of the patent venue statute three times:

(i) originally, in 1897;

(ii) in 1911, as part of a codification effort; and

(iii) in 1948, as part of the codification of title 28 of the United States Code.

Prior to 1897, "a suit for infringement might have been maintained in any district in which jurisdiction of defendant could be obtained." *Gen. Elec. Co. v. Marvel Rare Metals Co.*, 287 U.S. 430, 434 (1932). That result followed from precedents holding that patent infringement suits, being subject to *exclusive* federal court jurisdiction, were "therefore not affected by general provisions regulating the jurisdiction of the courts of the United States, *concurrent* with that of the several states." *In re Keasbey*

& Mattison Co., 160 U.S. 221, 230 (1895) (emphasis added).

In 1897, Congress changed the law by enacting a statute containing only two sentences:

> *Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled*, That in suits brought for the infringement of letters patent the circuit courts of the United States shall have jurisdiction, in law or in equity, in the district of which the defendant is an inhabitant, or in any district in which the defendant, whether a person, partnership, or corporation, shall have committed acts of infringement and have a regular and established place of business. If such suit is brought in a district of which the defendant is not an inhabitant, but in which such defendant has a regular and established place of business, service of process, summons, or subpoena upon the defendant may be made by service upon the agent or agents engaged in conducting such business in the district in which suit is brought.

Act of March 3, 1897, ch. 395, 29 Stat. 695, 695–96 (the "1897 Act").

This Court has described the restrictive intent of the patent venue statute: "Congress adopted the predecessor to § 1400(b) as a special venue statute in patent infringement actions to eliminate the 'abuses engendered' by previous venue provisions allowing such suits to be brought in any district in which the defendant could be served." *Schnell*, 365 U.S. at 262 (quoting *Stonite*, 315 U.S. at 563); *accord Pure Oil Co. v. Suarez*, 384 U.S. 202, 207 (1966) ("The patent infringement venue statute was enacted in 1897, 29 Stat. 695, specifically to narrow venue in such suits.").

The first sentence in the 1897 Act authorized patent infringement suits to be brought either "[i] in *the district* of which the defendant is an inhabitant,

or [ii] in ***any district*** in which the defendant, whether a person, partnership, or corporation, shall have committed acts of infringement and have a regular and established place of business." *Id.* at 695 (emphasis and numerals added). The use of the singular "the district" in referring to the defendant's place of inhabitance (contrasting with "any district" in referring to the defendant's places of business) was consistent with the then-established meaning of "inhabitant" in statutes prescribing federal court jurisdiction and venue, for inhabitancy was considered as being in one place even for corporations. *See Shaw v. Quincy Mining Co.*, 145 U.S. 444, 450 (1892) ("[T]he domicil, the habitat, the residence, the citizenship of the corporation can only be in the State by which it was created, although it may do business in other States whose laws permit it."), *cited in Fourco*, 353 U.S. at 226.

By authorizing service of a "summons" on a defendant, the second sentence of the 1897 Act ensured that plaintiffs in patent infringement actions could establish personal jurisdiction over, and obtain complete relief against, any non-inhabitant person or entity that was subject to suit (i.e., subject to proper venue) under the first sentence of the statute.

In 1911, the 1897 Act was re-enacted without substantive change but with the outdated reference to "circuit courts" in the first sentence changed to "district courts," as follows:

> SEC. 48. In suits brought for the infringement of letters patent the district courts of the United States shall have jurisdiction, in law or in equity, in the district of which the defendant is an inhabitant, or in any district in which the defendant, whether a person, partnership, or corporation, shall have committed acts of infringement and have a regular and established place of business. If such suit is brought in a district of which the defendant is not an inhabitant, but in which such defendant has a regular and established place of

> business, service of process, summons, or subpoena upon the defendant may be made by service upon the agent or agents engaged in conducting such business in the district in which suit is brought.

Judicial Code of 1911, ch. 231, § 48, 36 Stat. 1087, 1100 (the "1911 Judicial Code"). Section 48 of the 1911 Judicial Code was later unofficially codified as 28 U.S.C. § 109 (1940).

This Court interpreted § 48 of the 1911 Judicial Code in *Stonite Prods. Co. v. Melvin Lloyd Co.*, 315 U.S. 561 (1942). The *Stonite* Court noted that the 1897 Act "was intended to define the exact limits of venue in patent infringement suits" and "was a restrictive measure, limiting a prior, broader venue." *Stonite*, 315 U.S. at 566. "Congress did not intend the Act of 1897 to dovetail with the general provisions relating to the venue of civil suits, but rather that it alone should control venue in patent infringement proceedings." *Id.* "The main purpose" of the 1897 Act, according to its principal sponsor, was "to give original jurisdiction to the court where a permanent agency transacting the business is located, and that business is engaged in the infringement of the patent rights of some one who has such rights anywhere in the United States." 29 CONG. REC. 1900 (1897) (statement of Rep. Lacey). "Isolated cases of infringement would not confer this jurisdiction, but only where a permanent agency is established." *Id.*

The *Stonite* Court defined the relationship between the then-existing version of the patent venue statute, § 48 of the 1911 Judicial Code, and more general venue statutes. The Court held that § 48 was "the exclusive provision controlling venue in patent infringement proceedings," 315 U.S. at 563, and that a corporate defendant could not be sued for patent infringement in a district where venue was improper under § 48 even if venue might appear to be proper under provisions in a general venue statute. *Id.* at 563–67.

In 1948, Congress enacted title 28 of the United States Code as positive law. *See* Act of June 25, 1948, ch. 646, 62 Stat. 869 (the "1948 Act"). As part of that codification, the first and second sentences of § 48 of the 1911 Judicial Code were placed into separate sections of the new Code, 28 U.S.C. § 1400(b) and § 1694, respectively.

After the 1948 codification, 28 U.S.C. § 1400(b) provided (as it still provides):

> Any civil action for patent infringement may be brought in the judicial district where the defendant resides, or where the defendant has committed acts of infringement and has a regular and established place of business.

62 Stat. at 936.

28 U.S.C. § 1694 provided (as it still provides):

> In a patent infringement action commenced in a district where the defendant is not a resident but has a regular and established place of business, service of process, summons or subpoena upon such defendant may be made upon his agent or agents conducting such business.

62 Stat. at 945.

The revised sections use the words "resides" and "resident" in place of the word "inhabitant," which was used in both sentences in the pre-codification version. The Reviser's Note to 28 U.S.C. § 1400(b) (Supp. II 1949) states in part: "Words 'inhabitant' and 'resident,' as respects venue, are synonymous." The Reviser's Note to § 1694 states: "Changes were made in phraseology." 28 U.S.C. § 1694 (Supp. II 1949). Congress has not altered the texts of 28 U.S.C. § 1400(b) or § 1694 since the 1948 codification.

B. The Circuit Split on Patent Venue and This Court's Resolution in *Fourco*.

The 1948 codified title 28 also included a new § 1391, headed "Venue generally," whose full text was:

> **§ 1391. Venue generally**
>
> (a) A civil action wherein jurisdiction is founded only on diversity of citizenship may, except as otherwise provided by law, be brought only in the judicial district where all plaintiffs or all defendants reside.
>
> (b) A civil action wherein jurisdiction is not founded solely on diversity of citizenship may be brought only in the judicial district where all defendants reside, except as otherwise provided by law.
>
> (c) A corporation may be sued in any judicial district in which it is incorporated or licensed to do business or is doing business, and such judicial district shall be regarded as the residence of such corporation for venue purposes.
>
> (d) An alien may be sued in any district.

62 Stat. at 935.

After the 1948 codification, a circuit split developed over whether the above-quoted provision in § 1391(c), "such judicial district *shall be regarded as the residence* of such corporation *for venue purposes*" (emphasis added), applied to the § 1400(b) provision, "*the* judicial district where the defendant *resides*" (emphasis added). *See Fourco*, 353 U.S. at 224 n.3.

In *Fourco* itself, the defendant was a West Virginia corporation that had a regular and established place of business in the Southern District of New York but had not committed acts of infringement there. *Id.* at 223. Venue was thus not possible under the second option provided in § 1400(b) ("where the defendant has committed acts of infringement and has a regular and established place of business"). *Id.*

Nevertheless, the plaintiff in the case argued that venue was permissible under the first option in § 1400(b) ("where the defendant resides") because the defendant's conducting of business in the Southern District of New York made it one of the districts that § 1391(c) stated "shall be regarded as the residence of such corporation for venue purposes."

The District Court rejected the plaintiff's theory of venue, but the Second Circuit reversed. The Second Circuit characterized § 1391(c) as creating a "definition" of "corporate residence" and reasoned that § 1400(b) "requires but the insertion in it of the definition of corporate residence from [§ 1391(c)] . . . just as that definition is properly to be incorporated into other sections of the venue chapter, e.g., §§ 1392, 1393, 1395, 1396, 1397, 1400, etc." *Transmirra Prods. Corp. v. Fourco Glass Co.*, 233 F.2d 885, 886 (2d Cir. 1956), *rev'd*, 353 U.S. 222 (1957).

This Court granted review of the Second Circuit's decision to decide "whether 28 U.S.C. § 1400(b) is the sole and exclusive provision governing venue in patent infringement actions, or whether that section is supplemented by 28 U.S.C. § 1391(c)." 353 U.S. at 222. In answering that question, *Fourco* began with the Court's holding in *Stonite* that the immediate predecessor of 28 U.S.C. § 1400(b) was "the exclusive provision controlling venue in patent infringement proceedings." *Id.* at 225 (quoting *Stonite*, 315 U.S. at 563). *Fourco* characterized this holding as meaning that § 48 of the 1911 Judicial Code was "complete, independent and alone controlling in its sphere." *Id.* at 228. *Fourco* continued (*Id.* at 225):

> The soundness of the *Stonite* case is not here assailed, and, unless there has been a substantive change in what was § 48 of the Judicial Code at the time the *Stonite* case was decided, on March 9, 1942, it is evident that that statute would still constitute "the exclusive provision controlling venue in patent infringement proceedings."

The Court considered (i) changes in the wording of 28 U.S.C. §§ 1400(b) and 1694 as compared with the corresponding text of § 48 of the 1911 Judicial Code, *id.* at 226; (ii) the generality of the wording of the text of 28 U.S.C. § 1391(c), *id.* at 228; (iii) contemporaneous congressional statements that "every change made in the text is explained in detail in the Revisers' Notes," *id.* at 226; (iv) "the fact that the Revisers' Notes do not express any substantive change," *id.* at 227; and (v) "the fact that several of those having importantly to do with the revision say no change is to be presumed unless clearly expressed," *id.* at 227–28.

Based on all of those indicia of statutory meaning, and with "no substantive change being otherwise apparent," the *Fourco* Court concluded: "[W]e hold that 28 U.S.C. § 1400(b) made no substantive change from 28 U.S.C. (1940 ed.) § 109 [§ 48 of the 1911 Judicial Code] as it stood and was dealt with in the *Stonite* case." *Id.* at 228. The *Fourco* Court then reiterated the continued vitality of its earlier interpretation of the patent venue statute, stating that § 1400(b) "is complete, independent and alone controlling in its sphere as was held in *Stonite*," *id.* at 228, and that it was "not to be supplemented by the provisions of 28 U.S.C. § 1391(c)," *id.* at 229. The final two paragraphs in the *Fourco* opinion were:

> We think it is clear that § 1391(c) is a general corporation venue statute, whereas § 1400 (b) is a special venue statute applicable, specifically, to *all* defendants in a particular type of actions, *i.e.*, patent infringement actions. In these circumstances the law is settled that "However inclusive may be the general language of a statute, it 'will not be held to apply to a matter specifically dealt with in another part of the same enactment. . . . Specific terms prevail over the general in the same or another statute which otherwise might be controlling.' *Ginsberg & Sons v. Popkin*, 285 U.S.

> 204, 208." *MacEvoy Co. v. United States*, 322 U.S. 102, 107.
>
> We hold that 28 U.S.C. § 1400 (b) is the sole and exclusive provision controlling venue in patent infringement actions, and that it is not to be supplemented by the provisions of 28 U.S.C. § 1391(c). The judgment of the Court of Appeals must therefore be reversed and the cause remanded for that court to pass upon the District Court's ruling that there had been no showing of acts of infringement in the district of suit.

Id. at 228–29 (emphasis in original).

As construed in *Fourco*, the phrase, "the judicial district where the defendant resides" (§ 1400(b)), denotes a defendant's "*domicile*, and, in respect of corporations, mean[s] the state of incorporation only." *Id.* at 226 (emphasis in original; citing *Shaw*, 145 U.S. at 450); *accord Brunette Mach. Works, Ltd. v. Kockum Indus., Inc.*, 406 U.S. 706, 707 n.2 (1972) ("[T]he residence of a corporation for purposes of § 1400(b) is its place of incorporation.").

Fourco's interpretation of § 1400(b) was accepted and unquestioned law for more than three decades. *See, e.g., Pure Oil*, 384 U.S. at 207 ("This Court in *Fourco*, after determining that the 1948 revision of § 1400(b) was meant to introduce no substantive change in the provision, was merely following the purpose and letter of the original enactment."); *Schnell*, 365 U.S. at 262–64 (following *Fourco* and affirming dismissal for improper venue); *Hoffman v. Blaski*, 363 U.S. 335, 336–44 (1960) (affirming order granting writ of mandamus directing transfer of patent infringement action); *In re Cordis Corp.*, 769 F.2d 733, 736 (Fed. Cir. 1985) ("The Supreme Court has held that § 1400(b) is the sole and exclusive provision controlling venue in patent infringement actions, and that it is not to be supplemented by the provisions of 28 U.S.C. § 1391(c), having to do with general corporation venue.").

C. Amendments to 28 U.S.C. § 1391 and the Federal Circuit's Reinterpretation of 28 U.S.C. § 1400(b).

Section § 1391(c) has been substantively amended twice since this Court's decision in *Fourco*—in 1988 and again in 2011.

In 1988, 28 U.S.C. § 1391(c) was revised as indicated below (emphasis added):

Pre-1988 Text of § 1391(c)	1988 Text of § 1391(c) (first sentence)
A corporation may be sued in any judicial district in which it is incorporated or licensed to do business or is doing business, and such judicial district shall be regarded as the residence of such corporation ***for venue purposes***.	***For purposes of venue under this chapter***, a defendant that is a corporation shall be deemed to reside in any judicial district in which it is subject to personal jurisdiction at the time the action is commenced.

As shown above, before 1988, § 1391(c) had provided that certain districts would be "*regarded as the residence* of such corporation *for venue purposes*" (emphasis added), whereas in 1988, this sentence was re-written to say that corporations would be "deemed to reside" in certain districts "*[f]or purposes of venue under this chapter*," with "this chapter" referring to chapter 87, entitled "District Courts; Venue." *See* Judicial Improvements and Access to Justice Act, Pub. L. No. 100-702, § 1013, 102 Stat. 4642, 4669 (1988) (the "1988 Act").

The section of the 1988 Act which amended § 1391(c) was located in a "Miscellaneous Provisions" title and characterized in a contemporaneous House Report as being one of a series of "miscellaneous provisions dealing with relatively minor discrete proposals." H.R. REP. NO. 100-889, at 66 (1988), *as reprinted in* 1988 U.S.C.C.A.N. 5982, 6027.

Soon after that 1988 amendment, the Federal Circuit in *VE Holding Corp. v. Johnson Gas Appliance Co.*, 917 F.2d 1574 (Fed. Cir. 1990), concluded that, due to the change in the wording of § 1391(c), "the meaning of the term 'resides' in § 1400(b) has changed." *Id.* at 1575. Although the pre-1988 text of § 1391(c) (which applied "for venue purposes") was textually broader than the 1988 text (which facially applied only "[f]or purposes of venue under this chapter"), the Federal Circuit characterized the corporate "residence" clause of the pre-1988 text of § 1391(c) as "surplusage" or "at best confusing." 917 F.2d at 1578.[1] The Federal Circuit thus characterized the issue before it as one "of first impression," to wit, what "the Congress *now* intends by this new language in the venue act." *Id.* at 1579 (emphasis in original).

The *VE Holding* court placed significant weight on the addition of the words "this chapter" in the 1988 amendment of § 1391(c), reasoning:

> The phrase "this chapter" refers to chapter 87 of title 28, which encompasses §§ 1391-1412,

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[1] By the time of *VE Holding*, this Court in *Pure Oil Co. v. Suarez*, 384 U.S. 202 (1966), had already interpreted the pre-1988 version of § 1391(c) as "appl[ying] to all venue statutes using residence as a criterion, at least in the absence of contrary restrictive indications in any such statute." *Id.* at 204–05. (The *Pure Oil* Court specifically cited § 1400(b) and *Fourco* to illustrate an example where "contrary restrictive indications" meant that § 1391(c)'s definition should not be applied. *See id.* at 206–07.) *Pure Oil* held that the "the broader residence definition of [pre-1988] § 1391(c)" should be read into statutes such as the Jones Act. While the relevant provision of the Jones Act, 46 U.S.C. § 688, is a "venue" provision and thus is textually within the literal scope of the pre-1988 version of § 1391(c), it is outside the U.S. Code "chapter" referred to in the 1988 version of § 1391(c).

> and thus includes § 1400(b). On its face, § 1391(c) clearly applies to § 1400(b), and thus redefines the meaning of the term 'resides' in that section.

Id. at 1578. The court viewed the phrase "[f]or purposes of venue under this chapter" as "exact and classic language of incorporation," *id.* at 1579, and therefore held that "the general statute, § 1391(c), expressly reads itself into the specific statute" and "supplement[s] § 1400(b)," *id.* at 1580.

According to *VE Holding*, § 1400(b)'s phrase "the judicial district where the defendant resides" was changed in 1988 to mean "any district where there would be personal jurisdiction over the corporate defendant." *Id.* at 1583. The court defended that change on the grounds (asserted to be "not in dispute") that an era of "more liberalized venue law" had made "the 'freezing' of patent venue as a result of *Fourco* . . . an anomaly." *Id.* at 1582–83.

In 2011, Congress completely rewrote 28 U.S.C. § 1391 and repealed the language ("For purposes of venue under this chapter") that the *VE Holding* court had relied upon to justify its holding. *See* Federal Courts Jurisdiction and Clarification Act of 2011, Pub. L. No. 112-63, § 202, 125 Stat. 758, 763 (the "2011 Act"). The new § 1391, which remains in force, begins with a new subparagraph (a) addressing the applicability of the entire section:

> (A) APPLICABILITY OF SECTION.—Except as otherwise provided by law—
>
> (1) this section shall govern the venue of all civil actions brought in district courts of the United States . . . .

28 U.S.C. § 1391(a)(1).

New § 1391(c) provides default definitions of residency for natural persons and corporations, with the operative language for corporations reading:

> (C) RESIDENCY.—For all venue purposes—

. . . .

> (2) an entity with the capacity to sue and be sued in its common name under applicable law, whether or not incorporated, shall be deemed to reside, if a defendant, in any judicial district in which such defendant is subject to the court's personal jurisdiction with respect to the civil action in question and, if a plaintiff, only in the judicial district in which it maintains its principal place of business; ...

28 U.S.C. § 1391(c)(2).

D. Effects of the Federal Circuit's New Reinterpretation of the Patent Venue Statute.

The *VE Holding* reinterpretation of § 1400(b) led to significant changes in where patent infringement actions were brought. By 2005, a decade and a half after *VE Holding*, 156 patent cases—or about 6% of the 2612 patent cases filed in all federal districts that year—were brought in one district court, the Eastern District of Texas.[2] The next year, the burgeoning number of patent cases in the Eastern District of Texas was considered sufficiently newsworthy that it generated a feature story in *The New York Times*, which commented on the district's "red-hot patent docket." *See* Julie Creswell, *So Small a Town, So Many Patent Suits*, N.Y. TIMES, Sept. 24, 2006, http://www.nytimes.com/2006/09/24/business/24ward.html. That article speculated that the patent docket in the Eastern District of Texas "may not be able to sustain its current pace of growth" because it was

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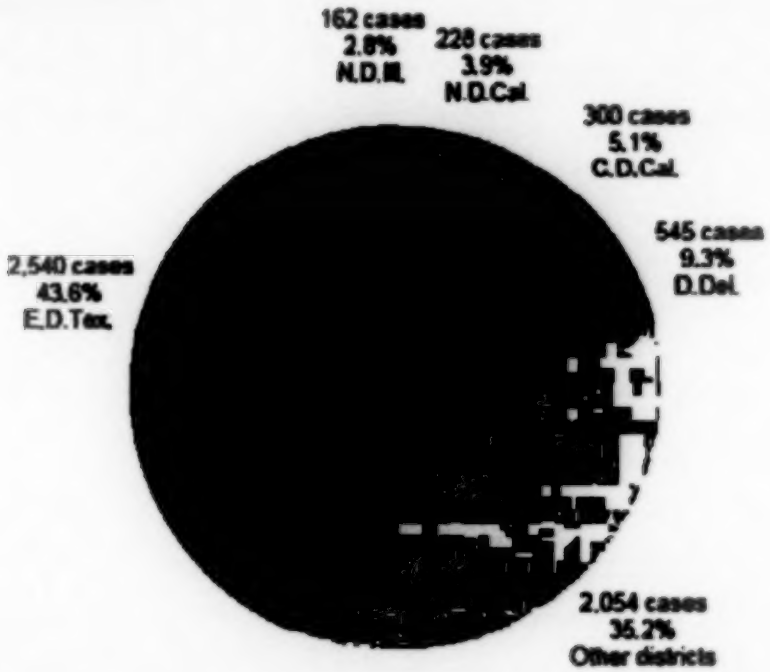
[2] Figures are drawn from Matthew Sag, *IP Litigation in U.S. District Courts: 1999-2014*, 101 IOWA L. REV. 1065 (2016). *See id.* at 1111 (setting forth the number of patent cases filed in certain district courts); *id.* at 1082 (setting forth the total number of patent cases filed per year in table 3, columns 1 & 2).

"starting to attract so many cases that a certain sluggishness may be setting in." *Id.*

That prediction proved to be inaccurate. In 2006, the year of the *Times* article, more than 9% of all patent cases in the country (256 of 2745 cases) were filed in the Eastern District of Texas.[3] Nine years later, in 2015, more than 40% of all patent cases were brought in that district, and more than 50% of patent cases were filed in just two districts (E.D. Tex. and D. Del.), as illustrated in the chart below (Brian Howard, Lex Machina 2015 End-of-Year Trends Fig. 3 (Jan. 7, 2016), *available at* http://www.lexmachina.com/lex-machina-2015-end-of-year-trends):



Multiple empirical studies suggest that the ongoing centralization of patent litigation in a few judi-

[3] *See* Sag, *supra* note 2, 101 Iowa L. Rev. at 1082, 1111.

cial districts has been driven by forum shopping. Professor Matthew Sag has published statistics showing a "marked divergence between the rate of patent litigation in the Eastern District of Texas and the District of Delaware and other forms of IP litigation in these districts."[4] Professor Sag asserts: "The reality is that these courts are not better in any value-neutral sense; they are simply better for patent plaintiffs and worse for patent defendants."[5]

PriceWaterhouseCoopers ("PWC") publishes an annual study of patent litigation trends and developments. PWC's 2016 study presents patent case statistics and states that "[c]ertain jurisdictions . . . continue to be more favorable venues for patent holders." Chris Barry et al., *2016 Patent Litigation Study: Are We at an Inflection Point?* 15 (2016), *available at* https://www.pwc.com/us/en/forensic-services/publications/assets/2016-pwc-patent-litigation-study.pdf (the "2016 PWC Study"). The 2016 PWC Study ranks patentee-favorable venues on the basis of a simple average of each venue's ranking in three variables: "[i] shorter time-to-trial, [ii] higher success rates and [iii] greater median damages awards." *Id.* The PWC Study ranked the District of Delaware and Eastern District of Texas as numbers 1 and 2, respectively, under those criteria. Those are also the top two districts in terms of the number of patent filings.

E. The Proceedings in this Case.

Petitioner is a limited liability company organized and existing under the laws of Indiana. Petitioner is not registered to do business in Delaware and does not have any regular or established place of business

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[4] Sag, *supra* note 2, 101 Iowa L. Rev. at 1099.

[5] *Id.* at 1104.

in Delaware. Petitioner develops and manufactures zero calorie sweetener products in the greater Indianapolis area, both under its own brands and under brands owned by third parties who contract with Petitioner to perform manufacturing activity for them.

Among Petitioner's product lines are liquid water enhancer ("LWE") products that Petitioner manufactures and sells in packaging of its own patented design (protected by U.S. Patent No. D720,622). Petitioner has also developed an innovative process for forming defect-free sealing areas in LWE containers and other blow-molded vessels. That process is described in U.S. Patent Pub. No. 2015/0096996 A1 (available at uspto.gov).[6] Petitioner's founder and CEO, Teodor Gelov, is a graduate of Purdue University and is the sole inventor of both the packaging protected by the above-identified design patent and the process described in the pending patent application. Petitioner practices its innovations through its manufacturing operations in Indiana.

Respondent is a Delaware corporation that maintains its principal place of business in Northfield, Illinois, which is a suburb of Chicago. Respondent sells LWE products in competition with Petitioner in multiple states of the United States, including Indiana.

In 2014, Respondent sued Petitioner for patent infringement; the Respondent chose the United States District Court for the District of Delaware as the forum for suit. Respondent originally alleged infringement of three patents, but all claims involving two of the three patents have now been dismissed. The sole patent remaining in the litigation is U.S.

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[6] The United States Patent and Trademark Office ("PTO") has issued a "Notice of Allowance" on the cited published patent application, meaning that a patent will issue to Petitioner for its manufacturing process in due course.

Patent No. 8,603,557 (the "'557 Patent"), which discloses and claims certain packaged flavored liquid beverage concentrates.

Key witnesses having knowledge of facts relevant to the validity of the '557 Patent, including individuals who gave and presented affidavits that overcame a PTO Examiner's rejection based on 35 U.S.C. § 103(a), are located in the greater Chicago area. The accused LWE products were designed and are manufactured by Petitioner in Indiana. The overwhelming majority of Respondent's infringement claims arise from non-Delaware activity. In the year preceding the filing of this suit, approximately 2% of Petitioner's packaged LWE sales were drop-shipped by common carrier to destinations in Delaware on the instructions of a customer based in Arkansas.

Petitioner moved to dismiss or transfer this action under 28 U.S.C. § 1406. Petitioner argued that (i) the District of Delaware was not "the judicial district where the defendant resides" within the meaning of 28 U.S.C. § 1400(b); and (ii) insofar as the *VE Holding* decision suggested otherwise, it was subordinate to controlling precedents of this Court and in any event, the 2011 Act had repealed the statutory language that *VE Holding* had relied on to justify its departure from this Court's interpretation of § 1400(b).

The district court denied Petitioner's motion, considering itself bound by *VE Holding*. Pet. App. 16a. Petitioner then timely petitioned the Federal Circuit for a writ of mandamus under 28 U.S.C. § 1651. *Cf. Atl. Marine Constr. Co. v. U.S. Dist. Court for W. Dist. of Tex.*, 134 S. Ct. 568 (2013) (reviewing venue issue on mandamus review). The Federal Circuit denied the petition for mandamus. Its opinion stated in part:

> The venue statute was amended in 1988 and in *VE Holding*, this court held that those amendments rendered the statutory definition of corporate residence found in § 1391 applica-

> ble to patent cases. In *VE Holding*, we found that the Supreme Court's decision in *Fourco* with regard to the appropriate definition of corporate residence for patent cases in the absence of an applicable statute to be no longer the law because in the 1988 amendments Congress had made the definition of corporate residence applicable to patent cases. 28 U.S.C. § 1391(c) (1988) ("For the purposes of venue under this chapter"). In 1988, the common law definition of corporate residence for patent cases was superseded by a Congressional one. Thus, in 2011, there was no established governing Supreme Court common law ruling which Congress could even arguably have been codifying in the language "except otherwise provided by law."

Pet. App. 6a–7a.

Petitioner timely sought a writ of certiorari, which this Court granted on December 14, 2016. After this Court's grant of certiorari, the district court postponed the start of any trial of this action to October 16, 2017, noting: "[I]f the case is to be transferred, the transferee judge will be free to schedule trial for whenever he or she wishes." Dist. Ct. Docket Item 433 at 6 & n.6.

SUMMARY OF THE ARGUMENT

This is an extraordinary case because it presents a question of statutory interpretation that this Court specifically answered more than a half century ago.

Under this Court's authoritative interpretation, the statutory phrase "the judicial district where the defendant resides" in 28 U.S.C. § 1400(b) "mean[s] the state of incorporation only," and the venue prescribed in § 1400(b) is "not to be supplemented by the provisions of 28 U.S.C. § 1391(c)." *Fourco Glass Co. v. Transmirra Prods. Corp.*, 353 U.S. 222, 226, 229 (1957). Since that interpretation, Congress has not changed one letter in § 1400(b).

This Court's interpretation of § 1400(b) is correct and should be reaffirmed because (i) it preserves the original meaning the patent venue statute as enacted by Congress; (ii) it makes sense of the structure of the statute; and (iii) it fully accords with this Court's canons of statutory construction. *Fourco*'s interpretation of § 1400(b) is also fully consistent with the current version of the general venue statute, 28 U.S.C. § 1391, which now begins with an express statement that its provisions apply "[e]xcept as otherwise provided by law." 28 U.S.C. § 1391(a).

The contrary interpretation of § 1400(b) applied below rests on repealed statutory language and precedent of a single court of appeals rejecting *Fourco*—sources that would not ordinarily be considered adequate to justify rejection of this Court's longstanding interpretation of a federal statute. Nevertheless, Part I below demonstrates that, even under previously existing statutory law, the Federal Circuit erred in rejecting this Court's interpretation of § 1400(b) and in holding that the venue prescribed in the statute was to be supplemented by § 1391(c).

The Federal Circuit's revisionist interpretation of § 1400(b) was wrong at the time it was announced because (i) it abandoned the original meaning of the statute and undermined the statute's structure in almost all cases; (ii) it violated multiple canons of statutory construction; and (iii) it brought back the very abuses that Congress had sought to address and, prior to the Federal Circuit's reinterpretation, had effectively addressed in the patent venue statute.

Furthermore, and notwithstanding the Federal Circuit's precedent, both this Court and Congress have taken steps suggesting that the interpretation of § 1400(b) announced in *Fourco* remains good law. This Court has continued to cite the *Fourco* decision as if it were still good law, and Congress has enacted legislation that would have little or no operative force if the Federal Circuit's reinterpretation of § 1400(b) were correct.

As discussed in Part II, however, even if the Federal Circuit's reinterpretation of § 1400(b) were plausible prior to the 2011 Act (and it was not), that interpretation would not survive the repeal of the statutory language on which the court based its reasoning. Under this Court's precedents, the Federal Circuit's reinterpretation of § 1400(b) was never settled because "[a] question arising in regard to the construction of a statute of the United States concerning patents for inventions cannot be regarded as judicially settled when it has not been so settled by the highest judicial authority which can pass upon the question." *Andrews v. Hovey*, 124 U.S. 694, 716 (1888).

The Court should decide this case based on currently in force statutory law and this Court's precedents that remain binding and not overruled. Current 28 U.S.C. § 1391(a) expressly preserves specially targeted, restrictive venue rules like the one in § 1400(b). *Fourco*'s interpretation of § 1400(b) is clearly correct under current law.

ARGUMENT

I. THE FEDERAL CIRCUIT IMPROPERLY REJECTED THIS COURT'S SETTLED INTERPRETATION OF 28 U.S.C. § 1400(b).

This Court's interpretation of § 1400(b) in *Fourco* was thoroughly and correctly grounded in the text, structure, and history of the patent venue statute. The Federal Circuit was wrong to cast aside that interpretation based on (since repealed) changes made to § 1391(c) in 1988.

A. The Enactment and the Original Meaning of the Patent Venue Statute.

The patent venue statute was originally enacted in 1897, not as a part of general venue legislation but as a targeted, two-sentence statute designed "to define the exact jurisdiction of the federal courts in actions to enforce patent rights," *Stonite*, 315 U.S. at 565, "to define the exact limits of venue in patent in-

fringement suits," *id.* at 566, and "to eliminate the 'abuses engendered' by previous venue provisions allowing such suits to be brought in any district in which the defendant could be served." *Schnell*, 365 U.S. at 262 (quoting *Stonite*, 315 U.S. at 563).

The two sentences in the statute—one devoted to venue and the other to service of process—formed an integrated whole that not only defined the districts in which plaintiffs could bring suit but also gave plaintiffs a federal right to serve a summons on agents of defendants that had a regular and established place of business but were not resident in the forum district. Thus, while the statute limited patent plaintiffs' venue choices, it also afforded them federal process so that they could bring patent infringement lawsuits against non-resident defendants and obtain relief on claims for alleged infringement arising outside of the forum state without having to depend on the uncertainty of state service of process laws.[7]

The statute afforded plaintiffs two options for proper venue. The first option was to sue in "the district of which the defendant is an inhabitant." 29 Stat. at 695. The second was to sue "in any district in which the defendant, whether a person, partnership, or corporation, shall [i] have committed acts of infringement and [ii] have a regular and established place of business." *Id.*

At the time the patent venue statute was enacted, it was undoubtedly true that corporate entities were

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[7] Each act of alleged infringement gives rise to a discrete claim. *Cf. Petrella v. Metro-Goldwyn-Mayer, Inc.*, 134 S. Ct. 1962, 1969 (2014) (stating principle in copyright context); *Hazelquist v. Guchi Moochie Tackle Co.*, 437 F.3d 1178, 1180 (Fed. Cir. 2006) ("Our case law clearly states that each act of patent infringement gives rise to a separate cause of action.").

viewed as being residents or inhabitants of only their state of incorporation. *Shaw*, 145 U.S. at 450 (1892) ("[T]he domicil, the habitat, the residence. the citizenship of the corporation can only be in the State by which it was created, although it may do business in other States whose laws permit it."). The original meaning of corporate inhabitance or residence is also clearly evident in the statutory text and structure.

The statute refers to "the" district of inhabitancy (thus suggesting inhabitancy is in a singular place) but to "any" district in which the defendant might have a regular and established place of business. The narrowness of the original meaning is also evident from the two options for obtaining venue: If having a regular and established place of business made a corporation an inhabitant, then the second option for venue would add nothing to the first option for obtaining venue over corporate defendants. Yet the statute expressly lists "corporation[s]" as among the defendant entities that are covered under the second option. 29 Stat. at 695.

Targeted as it was just to patent infringement litigation. the 1897 Act was not general legislation. but a very specific piece of legislation. Within the realm of patent infringement litigation. however. the statute was expressly designed to apply not just to natural persons. but "to *all* defendants in a particular type of actions. *i.e.*. patent infringement actions." *Fourco*, 353 U.S. at 228 (emphasis in original).

After enacting the patent venue statute in 1897, Congress has never substantively altered the statute. Rather, small word changes were made in the 1911 and 1948 codifications, and such changes made during recodification efforts are generally presumed not to be substantive changes in law. *Fourco*, 353 U.S. at 227.

B. This Court's Interpretation of the Patent Venue Statute and the Federal Circuit's Revisionist Reinterpretation.

By the time of *Fourco*, this Court had already concluded that "Congress did not intend the Act of 1897 to dovetail with the general provisions relating to the venue of civil suits, but rather that it alone should control venue in patent infringement proceedings." *Stonite*, 315 U.S. at 566. *Fourco* merely continued that interpretative approach by holding that the specific statute was not altered by the later enacted general venue statute. As this Court noted in *Pure Oil*, "*Fourco*, after determining that the 1948 revision of § 1400(b) was meant to introduce no substantive change in the provision, was merely following the purpose and letter of the original enactment." 384 U.S. at 207.

The Federal Circuit in *VE Holding* rejected *Fourco*'s interpretation of § 1400(b), but the court made three errors that are evident if the court's opinion is compared to then-existing precedents of this Court.

First, the Federal Circuit asserted that the issue in the case was wholly new—indeed, a matter of "first impression," 917 F.2d at 1579—because § 1391(c) "now [had] exact and classic language of incorporation: 'For purposes of venue under this chapter . . . .'" *Id.* The court repeatedly referred to the language in § 1391(c) as "clear." *Id.* at 1578, 1579, 1580, 1581.

Yet the apparent clarity of § 1391(c)'s language of incorporation was nothing new. The lower court in *Fourco* had also viewed the meaning of the pre-1988 version of § 1391(c) as "plain" and thought that it required § 1391(c)'s definition of residence "to be incorporated into other sections of the venue chapter." *Transmirra Prods. Corp. v. Fourco Glass Co.*, 233 F.2d 885, 886 (2d Cir. 1956), *rev'd*, 353 U.S. 222 (1957).

This Court in *Fourco* had specifically responded to the "clear" language argument, stating that "[t]he

question is not whether § 1391(c) is clear and general, but, rather, it is, pointedly, whether § 1391(c) supplements § 1400(b), or, in other words, whether the latter is complete, independent and alone controlling in its sphere as was held in *Stonite*, or is, in some measure, dependent for its force upon the former." 353 U.S. at 228. The Federal Circuit was thus wrong to think that apparent clarity of the language in § 1391(c) created a matter of "first impression."

Second, the Federal Circuit incorrectly believed that the corporate "residence" provision in the pre-1988 version of § 1391(c) was "surplusage" or "at best confusing." *VE Holding*, 917 F.2d at 1578. By disparaging the effect of the residence clause in the pre-1988 version of the statute, the Federal Circuit freed itself to assert that the 1988 change was much more important than it was.[8] But the corporate "residence" clause of § 1391(c) at the time of *Fourco*, "such judicial district shall be regarded as the residence of such corporation *for venue purposes*" (emphasis added), was at least as broad as it was after the 1988 amendment of that section. Indeed, this Court had already held that, where a special venue statute lacked the "contrary restrictive indications" such as those evident in § 1400(b), the corporate residence provision in pre-1988 § 1391(c) *did* supplement the special statute. *Pure Oil*, 384 U.S. at 205.

Third, the Federal Circuit ignored that *Fourco* quoted the statutory heading of § 1391 ("Venue generally"), 353 U.S. at 223, and ultimately interpreted

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[8] The 1988 Act also added a new second sentence to § 1391(c) which restricted venue in multi-district states. The Federal Circuit did not rely on that sentence for its holding. *See* 917 F.2d at 1578 (noting that the second sentence in the 1988 version of § 1391(c) "is not at issue in this case").

§ 1391(c) not to be unclear, but instead to be "a general corporation venue statute, whereas § 1400(b) is a special venue statute applicable, specifically, to *all* defendants in a particular type of actions, *i.e.*, patent infringement actions." *Id.* at 228 (emphasis in original). *Fourco* specifically invoked the standard canon of statutory construction that the specific should control over the general. *See id.* at 228–29. At the time of *VE Holding*, the statutory title of § 1391 as "Venue generally" had not changed, and nothing about § 1400(b) had changed. Thus, the specific-controlling-the-general canon was just as applicable after 1988 as it had been when this Court decided *Fourco*.

C. The Federal Circuit's Reinterpretation of § 1400(b) Violates Multiple Canons of Statutory Construction.

The Federal Circuit's rejection of this Court's interpretation of § 1400(b) violated at least three of this Court's canons of statutory construction. Charitably viewed, the issue in *VE Holding* was whether the meaning of a specific statute (§ 1400(b)) should be controlled by a later amendment to a general statute (§ 1391(c)). There is law on this issue, and it was not applied by the Federal Circuit.

"It is a basic principle of statutory construction that a statute dealing with a narrow, precise, and specific subject is not submerged by a later enacted statute covering a more generalized spectrum." *Radzanower v. Touche Ross & Co.*, 426 U.S. 148, 153 (1976). "Where there is no *clear intention otherwise*, a specific statute will not be controlled or nullified by a general one, regardless of the priority of enactment." *Id.* (emphasis added) (quoting *Morton v. Mancari*, 417 U.S. 535, 550–51 (1974)).

The Court in *Radzanower* explained the "reason and philosophy" of this rule:

> The reason and philosophy of the rule is, that when the mind of the legislator has been turned to the details of a subject, and he has

> acted upon it, a subsequent statute in general terms, or treating the subject in a general manner, and not expressly contradicting the original act, shall not be considered as intended to affect the more particular or positive previous provisions, unless it is absolutely necessary to give the latter act such a construction, in order that its words shall have any meaning at all.

Id. (quoting Theodore Sedgwick, *The Interpretation and Construction of Statutory and Constitutional Law* 98 (2d ed. 1874)). This Court's teachings in *Radzanower* are relevant not merely for the canon articulated there, but also for specific application of that canon to venue statutes.

In *Radzanower*, the Court confronted a venue question that was similar to the venue question presented in *Fourco* and in this case. There, as here and as in *Fourco*, an earlier special venue statute limited where civil actions could be brought against a certain class of defendants (in *Radzanower*, the special venue statute limited where national banks could be sued). *Id.* at 149–50. In *Radzanower*, as here and as in *Fourco*, a plaintiff contended that a defendant was subject to suit in a certain district under a subsequently enacted, more general statute prescribing where certain types of suits could be brought (namely, § 27 of the Securities Exchange Act of 1934, 42 Stat. 902, 15 U.S.C. § 78aa, authorizing suits for securities fraud), notwithstanding the contrary provisions of a special venue statute (which *Radzanower* restricted where national banks could be sued). *See id.* at 150–51. And in *Radzanower*, as in *Fourco*, this Court held that the special venue statute took precedence over the more general statute, because there was no "clear intention" to provide "otherwise" for venue with respect to the class of defendants that were protected by the more specific venue statute.

Id. at 154–56. In reaching that result, *Radzanower* cited and followed the reasoning of *Fourco*. *See id.* at 154.[9]

As in *Radzanower* and *Fourco*, here there is no "irreconcilable conflict" between the restrictive provisions of 28 U.S.C. § 1400(b) and the general provisions of 28 U.S.C. § 1391(c), "in the sense that there is a positive repugnancy between them or that they cannot mutually coexist." 426 U.S. at 155. Not only is there no "irreconcilable conflict," but there is no conflict whatsoever between the provisions of current 28 U.S.C. § 1391 and the provisions of 28 U.S.C. § 1400(b) as construed in *Fourco*.

VE Holding also departed from the canon that: "The normal rule of statutory construction is that if Congress intends for legislation to change the interpretation of a judicially created concept, it makes that intent specific." *Midlantic Nat'l Bank v. N.J. Dep't of Envtl. Prot.*, 474 U.S. 494, 501 (1986). That canon promotes stability in the law and can be seen as a close cousin to *stare decisis*. To be sure, the canon is not entirely identical to *stare decisis*, for it addresses the situation where one statute has been authoritatively construed judicially (§ 1400(b)) but another statute (§ 1391(c)) has been amended. Justice Scalia and a co-author provide a lucid explanation:

> What if the earlier ambiguous provision has already been construed by the jurisdiction's high court to have a meaning that does not fit

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[9] The sole dissenting Justice in *Radzanower* (Justice Stevens) did not object to the Court's teaching that a specific venue statute should control over a general. Rather, he dissented because he viewed both as special venue statutes, and he noted that "[n]either party relies on the general venue provision in 28 U.S.C. § 1391." *Id.* at 159 (Stevens, J., dissenting).

> as well with a later statute as another meaning? Stare decisis is not an insuperable obstacle to giving effect to the implication of the later statute; it is, after all, a new total law (or a new *corpus juris*) to which the tools of construction are being applied. A clear, authoritative judicial holding on the meaning of a particular provision should not be cast in doubt and subjected to challenge whenever a related though not utterly inconsistent provision is adopted in the same statute or even in an affiliated statute. Legislative revision of law clearly established by judicial opinion ought to be by express language or by unavoidably implied construction.

Antonin Scalia & Bryan A. Garner, *Reading Law: The Interpretation of Legal Texts* 331 (2012).

Applying that interpretative approach in *VE Holding* would have led to preservation, rather than rejection, of this Court's interpretation of § 1400(b). By 1988, this Court's construction of § 1400(b) as being "the sole and exclusive provision controlling venue in patent infringement actions," 353 U.S. at 229, as "not to be supplemented by the provisions of 28 U.S.C. § 1391(c)," *id.*, and as placing "patent infringement cases in a class by themselves, outside the scope of general venue legislation," *Brunette*, 406 U.S. at 713, had stood as settled law of the land for decades. Moreover, this Court had already addressed the relationship between § 1400(b) and § 1391(c). In such circumstances, the established construction of § 1400(b) could not rightly be cast aside on the basis of a speculative inference that the minor 1988 language change in § 1391(c) purportedly meant (i) to effect a major change in the patent venue statute, (ii) to strip domestic corporate defendants of patent venue protections that had existed for more than ninety years between 1897 and 1990, and (iii) to overrule multiple decisions of this Court—all without any express language commanding such disruption

and without a word of legislative commentary that any such major change was intended.

It is perhaps overkill to mention that, not only was the 1988 amendment of § 1391(c) unaccompanied by any contemporaneous statement that § 1400(b) was being radically changed, but this Court has continued to view the patent venue statute to be controlled by *Fourco*, rather than the Federal Circuit's decision in *VE Holding*. *See Cortez Byrd Chips, Inc.* v. *Bill Harbert Constr. Co.*, 529 U.S. 193, 204 (2000) (citing *Fourco* to support the view that "Congress had a restrictive intent as to venue in patent cases"); *Atl. Marine Constr. Co.* v. *U.S. Dist. Court for W. Dist. of Tex.*, 134 S. Ct. 568, 577 n.2 (2013) (stating that "Section 1391 governs 'venue generally,' that is, in cases where a more specific venue provision does not apply" and citing 28 U.S.C. § 1400 as "identifying proper venue for copyright and patent suits").

In enacting legislation, Congress too has acted in a way that is nearly impossible to explain unless it also views as good law this Court's decision in *Fourco* rather than *VE Holding*. Just prior to its 2011 amendments to § 1391(c)). Congress enacted a special provision governing whether ATM machines should be viewed as "regular and established" places of business "for purposes of section 1400(b)":

> (c) In an action for infringement under section 281 of title 35, United States Code, of a covered business method patent, an automated teller machine shall not be deemed to be a **regular and established place of business** for purposes of section 1400(b) of title 28, United States Code.

Leahy-Smith America Invents Act, Pub. L. No. 112-29, § 18(c), 125 Stat. 284, 331 (2011) (reproduced in note to 35 U.S.C. § 321 (2012)).

The above-quoted provision makes no sense unless *Fourco* remains good law; for if *VE Holding* were correct, a corporate owner of an ATM would be

deemed to "reside" wherever the machine's use or operation infringed a patent, and it would make no difference whether the machine was deemed to be "a regular and established place of business" for purposes of 28 U.S.C. § 1400(b). The provision would have applicability only to individuals who personally own ATM machines, who operate their ATM machines outside the judicial districts of their personal residence, and who are sued for patent infringement. It is unclear whether any such individuals exist.

VE Holding also departed from a third canon of statutory construction, to wit, the principle that Congress "does not, one might say, hide elephants in mouseholes." *Whitman v. Am. Trucking Ass'ns*, 531 U.S. 457, 468 (2001). *VE Holding* somehow found a huge elephant—indeed, a revolution in patent venue, overturning more than 90 years of stable law—lurking in the smallest of mouseholes—an enactment that was *not* amending the patent venue statute; that was expressly labeled as "Miscellaneous" in the text of the legislation; and that was described in the legislative history as "dealing with relatively minor discrete proposals." H.R. REP. NO. 100-889, at 66 (1988), *as reprinted in* 1988 U.S.C.C.A.N. 5982, 6027. And the revolution in patent venue law was found in a mousehole in a statute that this Court had previously instructed was not to be used in determining patent venue.

D. The Federal Circuit's Reinterpretation of § 1400(b) Undermines the Statutory Structure.

The Federal Circuit's reinterpretation of § 1400(b) has essentially gutted the entire statutory structure of the 1897 Act of Congress. For corporate defendants (which are the vast majority of all patent infringement defendants), the patent venue statute is a dead letter. Under the rule in *VE Holding*, ven-

ue under § 1400(b) is permissible in "any district where there would be personal jurisdiction over the corporate defendant." 917 F.2d at 1583.[10]

The meaning of the word "resides" in § 1400(b) is informed by 28 U.S.C. § 1694 and the canon *in pari materia*, under which "statutes relat[ing] to the same thing . . . are to be taken together, as if they were one law." *United States v. Freeman*, 44 U.S. 556, 564 (1845). This canon clearly applies to 28 U.S.C. § 1400(b) and § 1694, which were originally one law (enacted as the first and second sentences of the 1897 Act, *see* 29 Stat. at 695–96) and which use the terms "resides" and "resident" in ways that confirm *Fourco*'s construction of § 1400(b).

28 U.S.C. § 1694 authorizes service of process in patent infringement actions commenced "in a district where the defendant is *not a resident* but has a regular and established place of business" (emphasis added). As construed in *Fourco*, the word "resides" in § 1400(b) connotes the same domiciliary relation between a defendant and a judicial district as does the word "resident" in § 1694. In the context of § 1694, there is no question but that the term "resident" is "synonymous" with "inhabitant," and "those synonymous words mean *domicile*, and, in respect of corporations, mean the state of incorporation only." *Fourco*, 353 U.S. at 226 (emphasis in original). Sec-

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[10] As set forth more fully *infra*, the Federal Circuit has taken an extremely expansive view of state authority to exercise extraterritorial personal jurisdiction. *See Beverly Hills Fan Co. v. Royal Sovereign Corp.*, 21 F.3d 1558, 1568 (Fed. Cir. 1994) ("Beverly will be able to seek redress in Virginia for sales of the accused fan to consumers in these other states."). These theories have enabled patent plaintiffs to circumvent the territorial limits of 28 U.S.C. § 1694 and bring back the "abuses" that the patent venue statute was enacted to remedy. *Schnell*, 365 U.S. at 262 (quoting *Stonite*, 315 U.S. at 563).

tion 1694 is not a venue statute, and even under the reasoning of *VE Holding*, was not changed by the 1988 amendments to § 1391(c).

But under the Federal Circuit's reinterpretation of § 1400(b), the term "resides" in § 1400(b) purportedly has a very different meaning than does the term "resident" in § 1694. Under the Federal Circuit's reinterpretation, a judicial district can purportedly be one in which a domestic corporate defendant simultaneously "resides" (§ 1400(b)) but "is not a resident" (§ 1694). Adherence to the original meaning of "resides" in § 1400(b) avoids this anomalous result.

The meaning of the word "resides" in § 1400(b) is also informed by the statute's separate provision of venue, "where the defendant has committed acts of infringement and has a regular and established place of business." Under the Federal Circuit's reinterpretation of § 1400(b), a domestic corporate defendant is "deemed" to reside in any district where it is subject to personal jurisdiction, and the presence or absence of "a regular and established place of business" is irrelevant—as this case illustrates. A statute ought not be construed "in a manner that renders it 'entirely superfluous in all but the most unusual circumstances.'" *Roberts v. Sea-Land Servs., Inc.*, 132 S. Ct. 1350, 1358 (2012) (quoting *TRW Inc. v. Andrews*, 534 U.S. 19, 29 (2001)).

It is no accident that "Congress had a restrictive intent as to venue in patent cases," *Cortez Byrd*, 529 U.S. at 204, and acted "to define the exact jurisdiction of the . . . courts in these matters," *Schnell*, 365 U.S. at 262 (quoting *Stonite*, 315 U.S. at 565 n.5). Although patent infringement "is essentially a tort," *Carbice Corp. of Am. v. Am. Patents Dev. Corp.*, 283 U.S. 27, 33 (1931), it is a tort that differs in important respects from other torts that federal courts are called upon to remedy. Acts that may constitute patent infringement can occur thousands of miles away from a patentee, without the actor being aware of a patent's or a patentee's existence, and without either the patentee or the actor being aware that any

invasion of rights has occurred. "Direct infringement is a strict-liability offense." *Commil USA, LLC v. Cisco Sys., Inc.*, 135 S. Ct. 1920, 1926 (2015).

Injury from patent infringement can be characterized as occurring thousands of miles away from a patentee or from where a defendant develops products whose later use or sale may constitute patent infringement. *See, e.g., N. Am. Philips Corp. v. Am. Vending Sales, Inc.*, 35 F.3d 1576, 1578–80 (Fed. Cir. 1994) (holding that corporate plaintiffs domiciled in Delaware and New Hampshire suffered injury in Illinois by reason of alleged acts of infringement committed in Illinois).

Because the Federal Circuit's interpretation of § 1400(b) encourages plaintiffs to sue defendants in districts not covered by the federal service of process statute, there is now a gap between the reach of § 1400(b) (very broad) and the reach of the federal service of process statute § 1694 (still its original scope). As this case illustrates, plaintiffs relying on *VE Holding* typically invoke Federal Rule of Civil Procedure 4(k)(1)(A) and state "long-arm" statutes to start patent infringement actions.[11] But such stat-

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[11] Federal Rule of Civil Procedure 4(k)(1)(A) provides in part: "Serving a summons . . . establishes personal jurisdiction over a defendant: (A) who is subject to the jurisdiction of a court of general jurisdiction in the state where the district court is located." Delaware Code section 3104(c), in turn, provides in part: "As to a cause of action brought by any person arising from any of the acts enumerated in this section, a court may exercise personal jurisdiction over any nonresident . . . who in person or through an agent . . . [c]auses tortious injury . . . outside of the State by an act or omission outside the State if the person regularly does or solicits business, engages in any other persistent course of conduct in the State or derives substantial revenue from services, or things used or consumed in the State." The basis of extraterritorial personal jurisdiction prescribed in the Delaware "long-arm" statute is similar to that of

Footnote continued

utes (unlike a federal service of process statute) are subject to constitutional limits based on a defendant's contacts with the forum *state* (*i.e.*, the relevant sovereign authorizing service). The constitutional limits on state service of process, however, create a problem for plaintiffs: absent a basis for general personal jurisdiction, a plaintiff cannot seek relief for infringements committed outside the forum state unless the plaintiff can invoke a very expansive theory of specific personal jurisdiction.[12]

The Federal Circuit has been developing broad theories of specific personal jurisdiction to fill the gap caused by the divergence between the scope of § 1694 and the expanded scope of venue under *VE Holding*. Under Federal Circuit precedent, states are said to have broad authority to regulate the conduct of non-residents that commit allegedly infringing acts outside the forum state causing injury outside the forum state. *See Beverly Hills*, 21 F.3d at 1568 (allowing the plaintiff-patentee "to seek redress

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the North Carolina "long-arm" statute that this Court held in *Goodyear Dunlop Tires Operations S.A. v. Brown*, 564 U.S. 915, 926–27 & n.4 (2011) was insufficient to establish personal jurisdiction with respect to allegedly tortious conduct committed outside of North Carolina and causing injury outside the state. The decision below rests on a theory of personal jurisdiction that is similar to the one being reviewed this Term in *Bristol-Myers Squibb Co. v. Superior Court of California*, No. 16-466.

[12] Except where a defendant is "at home" in a state, *Goodyear*, 564 U.S. at 929, a state's constitutional authority to require a non-resident to appear and defend a claim is limited to claims that arise from "an 'activity or an occurrence that takes place in the forum State.'" *Walden v. Fiore*, 134 S. Ct. 1115, 1121 n.6 (2014) (quoting *Goodyear*, 564 U.S. at 919).

in Virginia for sales of the accused fan to consumers in these other states"). In this case, for example, the Respondent does not complain merely of alleged infringement in Delaware, but asserts claims based on activity in Indiana, California, and other non-Delaware locations on the basis of a Delaware "long-arm" statute that prescribes a purported basis for extraterritorial personal jurisdiction (*see supra* note 11).

Returning to this Court's interpretation of § 1400(b) would mean that non-consenting domestic corporate defendants[13] would be subject to suit for patent infringement only in those judicial districts that § 1400(b) specifies, with the terms "resides" and "resident" in §§ 1400(b) and 1694 both referring to a defendant's domicile, which in the case of a corporate defendant means "the state of incorporation only." *Fourco*, 353 U.S. at 226. In those districts, the federal statute 28 U.S.C. § 1694 authorizes service of a summons on a non-resident defendant's agents and thereby establishes specific jurisdiction on a nationwide basis in the manner specifically authorized by Congress. In short, returning to this Court's interpretation of § 1400(b) would reestablish the system Congress authorized and eliminate the incentive for the Federal Circuit to develop expansive theories of personal jurisdiction.

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[13] Section 1400(b) confers a venue privilege that "may be waived." *Marvel*, 287 U.S. at 435 (rejecting venue challenge). Enforcing the original understanding of § 1400(b) would not limit patent venue where, as in the *Marvel* case, a defendant has voluntarily submitted itself to suit for patent infringement in a judicial district. Section 1400(b) also has no application to alien defendants. *See Brunette*, 406 U.S. at 714.

E. The Federal Circuit's Reinterpretation of § 1400(b) Has Brought Back the Very "Abuses" That Congress Sought to Avoid.

Because injury from alleged patent infringement can be said to occur thousands of miles away from a patentee or from where a defendant develops accused products, the Federal Circuit's reinterpretation of § 1400(b) has rendered patent plaintiffs uniquely able to file suit in districts chosen for their geographical remoteness from a defendant and for local norms and practices that tend to favor patent plaintiffs in various ways. The elimination of venue protections has thus led to serious abuses, even though Congress enacted § 1400(b) precisely to prevent such abuses of nationwide venue in patent infringement litigation.

In amicus curiae briefs filed in support of the petition stage of this case, amici reported that the Federal Circuit's revisionist interpretation of § 1400(b) has:

- Resulted in "rampant and unseemly forum shopping" that "hampers innovation, generates erroneous results, and undermines respect for the rule of law." Brief of Amici Dell Inc. and the Software & Information Industry Association at 3, 6.
- "[L]ed to pervasive forum shopping" that "has fundamentally altered the landscape of patent litigation in ways detrimental to the patent system as a whole." Brief of Amici 32 Internet Companies, Retailers, and Associations at 3, 17 (citation omitted).
- Produced "a massive imbalance in the distribution of patent suits in the United States" that undermines "core purposes underlying our patent laws." Brief of Amici American Bankers Association, the Clearing

House Payments Company L.L.C., Financial Services Roundtable and Consumer Bankers Association at 8–9.

- Engendered abusive "forum shopping [of] the very sort" that "Congress sought to guard against when it adopted legislation limiting venue in patent litigation." Brief of Amicus Washington Legal Foundation at 14.
- Generated a "venue free-for-all" that "especially harms small companies and American consumers" and that "may be drawing courts into competition to *attract* patent owners—the ones with unilateral choice over forum—by adopting practices and procedures favorable to patent owners." Brief of Amici the Electronic Frontier Foundation and Public Knowledge at 3, 21.
- "[F]undamentally shaped the landscape of patent litigation in ways that harm the patent system, by enabling extensive forum shopping and forum selling." Brief of Amici 56 Professors of Law and Economics at 12.
- "[C]reated numerous practical negative consequences" including "concentration of most patent litigation [in] a select few district courts, which is bad for positive development of patent law." Brief of Amicus Paul R. Michel (retired Chief Judge of the Federal Circuit) at 1.

To curb many of these abuses, this Court need merely accord the patent venue statute the original and plain meaning it had (i) at the time of its original enactment in 1897, (ii) at the time of its re-

enactment in the 1911 Judicial Code, (iii) at the time of its codification in the 1948, and (iv) at the multiple times this Court has applied or referred to its long-established construction of § 1400(b) in cases such as *Cortez Byrd*, 529 U.S. at 204, *Radzanower*, 426 U.S. at 153–58, *Brunette*, 406 U.S. at 713, *Pure Oil*, 384 U.S. at 207, *Schnell*, 365 U.S. at 262, and *Fourco*, 353 U.S. at 228–29.

II. UNDER THE CURRENT VERSION OF § 1391, FOURCO IS CLEARLY CORRECT.

In 2011, Congress rewrote § 1391 and repealed the statutory language in the 1988 version of § 1391(c) that *VE Holding* and the decision below treated as having changed the meaning of 28 U.S.C. § 1400(b). The 2011 Act also created a new 28 U.S.C. § 1391(a), titled "Applicability of Section," which reads in pertinent part: "*Except as otherwise provided by law*—(1) this section shall govern the venue of all civil actions brought in district courts of the United States . . . ." (emphasis added). The text of current 28 U.S.C. § 1391 makes the question presented in this case even easier to resolve than it was at the time of *Fourco* because § 1391 then lacked any harmonizing provision like current § 1391(a).[14]

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[14] The sole legislative report on the 2011 Act—House Report No. 112-10—states that "[n]ew paragraph 1391(a)(1) would follow current law in providing the general requirements for venue choices, *but would not displace the special venue rules that govern under particular Federal statutes.*" H.R. REP. NO. 112-10, at 18 (2011). As construed in *Fourco*, 28 U.S.C. § 1400(b) prescribes a "special" venue rule that governs patent cases. *Cf. Pure Oil*, 384 U.S. at 207 (holding that "in contrast to the situation dealt with in *Fourco*, the basic intent of the Congress is best furthered by carrying the broader residence definition of § 1391(c) into the Jones Act").

The decision below rejects the 2011 Act as a basis for following this Court's interpretation of § 1400(b) in *Fourco* on two grounds, neither of which has merit. First, the decision below characterizes *Fourco* as having announced "federal common law" and, as such, was not a type of "law" referred to by the phrase "except as otherwise provided by law" in current § 1391(a). Pet. App. 6a–7a. In fact, *Fourco* construed the meaning of statutory language. The proper meaning of the phrase, "the judicial district in which the defendant resides," 28 U.S.C. § 1400(b), is not a matter of "federal common law," but rather is a matter of construing the meaning of "resides" and "resident" in 28 U.S.C. §§ 1400(b) and 1694 in a manner that preserves the original meaning of the language and the balanced, integrated scheme for directing the filing of patent infringement suits as those two provisions prescribe.

The decision below alternatively holds that, even if case law interpreting a statute is "law" within the meaning of the phrase, "[e]xcept as otherwise provided by law" in 28 U.S.C. § 1391 (2012), the relevant case "law" that existed at the time of the 2011 Act was not the law stated by this Court in *Fourco*, but rather the law stated by the Federal Circuit in its *VE Holding* decision. The decision below states: "Even if Congress' 2011 amendments were meant to capture existing federal common law. . . . *Fourco* was not and is not the prevailing law that would have been captured. We reject [Petitioner's] argument that in 2011 Congress codified the common law regarding venue in patent suits as described in *Fourco*." Pet. App. 8a.

In support of that last conclusion, the court below cited three scattered legislative reports that purportedly "recognized that *VE Holding* is the prevailing law." *Id.* Not one of those legislative reports was associated with Congress's 2011 amendments to § 1391. Indeed, not one of those reports is even from the *same Congress* as the one that enacted the 2011 amendments to § 1391(c).

In any event, the Federal Circuit has no authority to depart from precedents of this Court, and it is thus irrelevant whether a legislative report may have "recognized that *VE Holding* is the prevailing law." *Id.* In recent years, this Court has disapproved a number of Federal Circuit precedents that district courts or legislators might have "recognized" as "law" until this Court intervened. *See* Pet. at 27–28 & n.15.

Furthermore, this Court has already articulated a view about whether lower court decisions can "judicially settle" a question related to patent law: "A question arising in regard to the construction of a statute of the United States concerning patents for inventions cannot be regarded as judicially settled when it has not been so settled by the highest judicial authority which can pass upon the question." *Andrews v. Hovey*, 124 U.S. 694, 716 (1888). Recent decisions of this Court have graphically demonstrated this point. *See, e.g.*, *Limelight Networks, Inc. v. Akamai Techs., Inc.*, 134 S. Ct. 2111, 2117 (2014) ("The Federal Circuit's analysis fundamentally misunderstands what it means to infringe a method patent."); *Bilski v. Kappos*, 561 U.S. 593, 612 (2010) ("[N]othing in today's opinion should be read as endorsing interpretations of § 101 that the Court of Appeals for the Federal Circuit has used in the past."); *KSR Int'l Co. v. Teleflex Inc.*, 550 U.S. 398, 415 (2007) ("We begin by rejecting the rigid approach of the Court of Appeals.").

Section 1400(b) was held in *Fourco* to prescribe a special, specific venue rule for patent infringement actions that falls easily within § 1391(a)'s current language, "[e]xcept as otherwise provided by law." Section 1400(b) plainly is a "law" that "otherwise provide[s]" for venue rules in patent infringement actions. Under this Court's precedents, *Fourco*'s interpretation of § 1400(b) remained good law in 2011 because it had never been overruled by this Court. By contrast, in 2011, *VE Holding* could not be regarded as "judicially settled" because it had not been

settled by the highest judicial authority capable of passing upon the question. In such circumstances, this Court should preserve its authoritative interpretation, rather than the Federal Circuit's.

CONCLUSION

The decision below should be reversed and the case remanded with instructions that venue of this action is improper in the District of Delaware.

Respectfully submitted,

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